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SIPDIS

EUR/NCE FOR DKOSTELANCIK AND MSESSUMS
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TAGS: [EFIN](#) [ETRD](#) [PREL](#) [PGOV](#) [SY](#) [PL](#)

SUBJECT: POLAND WILL PROPOSE POSTPONEMENT OF EIB LOAN TO SYRIA

REF: STATE 229611

Classified By: Economic Counselor Richard Rorvig, reasons 1.4 (b),(d)

1. (C) Begin Summary. Poland's MFA reported that it will recommend postponing a final decision on the EIB loan to the Syrian government until after a report on Syria's cooperation on the Rafiq Hariri assassination is provided to the UNSC in late March. Poland is uncertain that the postponement will be agreed to by the other EIB members, but hopes that other EU countries will delay final decision until after the report's conclusions are finalized. End Summary.

2. (C) Econoff discussed the pending EIB loan to Syria with Boguslaw Ochodek, MFA officer responsible for Libya, Syria and Lebanon and Ministry of Finance Director for International Affairs Dr. Jacek Tomorowicz. Tomorowicz deferred to the Ministry of Foreign Affairs, noting that from the Ministry of Finance's point of view, the loan is to address humanitarian concerns and improve the standard of living of the poorest Syrians. Any decision to oppose the project would need to be a political decision. Tomorowicz noted that the project is part of a series of projects begun in 2001 and that the Syrian government must provide co-financing and meet conditions that would reform the sector, thus the EIB is not providing "free money".

3. (C) The MFA's Ochodek, an Arabist who recently returned from his second tour in Syria, echoed Tomorowicz's statements that the project was one of three conceived in 2001 when conditions in Syria were better and the EU was hopeful that the new leadership would be more Western-leaning. He stated that the loan is relatively small given Syria's foreign reserves, and that the Government of Syria must match the EIB contribution. The EU already financed the feasibility study for the project. He cautioned that there are no economic sanctions against Syria that preclude the loan. But, he added, the initiation of such a project would not be possible in the current political climate. The EU has already frozen its Association Agreement with Syria and there are no high-level political contacts between EU Member States and the regime. Recent EU statements are critical of the Government of Syria. Thus, there is already a very low level of cooperation between the EU and Syria.

4. (C) However, the GOP shares the USG view that approving the loan at this time is inappropriate and might be perceived as rewarding Syria. At the March 6 EIB meeting, Poland will request that the loan request be postponed until the end of March when a report will be provided to the UN Security Council on whether or not the Government of Syria is cooperating with the UN on the investigation into the assassination of PM Hariri. If the report is negative, the Security Council would likely impose sanctions on Syria and the loan will be blocked. If the report is positive, then the loan will proceed. Ochodek noted that the first USG demarche started an exchange of views on the loans within the EU. Many countries are concerned that cancelling the loan would hurt the neediest Syrians and refugees. This could foment unrest and stir up anti-EU and anti-US sentiment in a population that might otherwise be Western-leaning. The original purpose of the loan was humanitarian, and that has not changed. He added that Syria is one of the poorest countries in the region, contributing to the relative size of its loan portfolio with the EIB. Ochodek emphasized that while Poland will propose postponing decision on the loan, he is uncertain that other Member States will agree. Poland is not yet a contributor to the EIB and its proposals may not be considered as strongly as other Member States that are actually paying the bills.

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